



**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT THE TOWN HALL, PETERBOROUGH ON 26 MARCH 2012**

Present: Councillors Lamb (Chairman), Kreling, Harper, Nash and Lane

Officers in

Attendance: Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Corporate Services
Ben Stevenson, Compliance Manager
Karen S Dunleavy, Governance Officer

Also in

attendance: Julian Rickett, PricewaterhouseCoopers

The Committee received a request to move agenda item 6, External Audit: Audit Plan before item 4 Regulation of Investigatory Powers Act (2000): Quarterly Report (To 31 December 2011). Members agreed to receive the agenda item as requested.

1. Apologies for Absence

Apologies for absence were received from Cllr Stokes

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 6 February 2012

The minutes of the meeting held on 6 February were approved as an accurate and true record.

Members requested an update regarding the request to Corporate Management Team (CMT) on the progress of school places and what the progress on the method of reporting was. The Chief Internal Auditor advised Members that an update was awaited from CMT.

Members sought clarification over whether there was a response on the energy from waste action point arising from the meeting held on 6 February 2012. Members were advised that an email had been sent to Members of the Audit Committee which outlined the position.

4. Regulation of Investigatory Powers Act (RIPA) (2000): Quarterly Report (To 31 December 2011)

The Committee received a routine planned report on the Council's use of RIPA in accordance with the established Work Programme 2011 / 2012. The Committee was also provided with an update of the Council's use of RIPA powers during the third quarter, October to December 2011.

Audit Committee was asked to:

- Receive, consider and endorse the report on the use of RIPA for the third quarter of 2011 – October to December 2011

The following key points within the report were highlighted:

- Covert Operations on Fly Tipping; however, the footage was of too low definition to be considered of value;
- Covert operation on two test purchasing exercises, one of which resulted in the issue of fixed penalty notices; and
- An application for access to telephone communications in order to carry out a business regulation investigation.

Comments and responses to questions were as follows:

- Members sought clarification over the low quality footage and whether there was a good reason for the occurrence. *The Compliance Manager advised Members that light interference had affected the filming, which had impeded the image of the person involved;*
- Members commented that fly tipping was a particular issue in certain areas of the city and that the regularity of the investigations by Peterborough City Council appeared to be very low. *The Compliance Manager advised Members that the purpose of the RIPA report was to use intrusive surveillance. Members were also advised that there were other ways that the Enforcement Teams would use to conduct their investigations, details of which would be provided to Members of the Committee separately;*
- Members raised a question over whether the police were involved in test purchasing exercises. *The Compliance Manager advised Members that a police officer was present;*
- Members sought clarification over whether there were specific dates in which fly tipping activities were investigated. *The Compliance Manager advised Members that some of the investigations were seasonal and would also be triggered through tip offs from the public;*
- Members sought clarification over whether there was media coverage to communicate the successful prosecutions for fly tipping. *The Compliance Manager advised Members that the Council notified the press of all prosecutions made.*

ACTION AGREED:

The Committee endorsed the report on the use of RIPA for the third quarter 2011 – October to December 2011.

5. Use of Consultants

The Committee received a report on the use of consultants following the Sustainable Growth Scrutiny Committee (SGSC) review into Peterborough City Council's use of consultants and the subsequent endorsement of the recommendations by Cabinet.

The Audit Committee was asked to consider the progress report on monitoring arrangements and policies in relation to the use of Consultants, along with their future role in such monitoring arrangements.

The following key points within the report outlining the (SGSC) findings included:

- Examination of the cost of consultants and whether it provided value for money;
- Review of the processes for engaging and monitoring the work of consultants;
- Relationships between consultants and staff of the council; and
- Examine the likely future use of consultants by the council.

Members of the Committee were also informed that they would be given access to the Council's project management system in order to review business cases and that a training session on its use had been organised.

The Audit Committee were also asked to determine what issues and information they would like to consider in future to undertake their role in monitoring the use of consultants.

Comments and responses to questions were as follows:

- Members sought clarification over the timescale on the use of Consultants for 2011 to 2012, and why the report had stated there were twelve months of figures when only ten months had passed. *The Head of Corporate Services confirmed that the figures within the report had reflected a rolling twelve months' (two months of the old financial year and ten months of the current financial year) figures;*
- Members requested that the report for the use of consultants be presented to Audit Committee every six months;
- Members suggested that a template on reporting the use of Consultants should be developed without the need to conduct a full review each time to Audit Committee.
- Members requested detail on the types of projects that Consultants had been involved with for the Council. *The Head of Corporate Services advised Members that an analysis would be included in future reports.*

ACTION AGREED:

The Committee agreed the adoption of their role in monitoring the arrangements for the use of consultants at Peterborough City Council;

It was agreed that the Head of Corporate Services would:

- Produce a six monthly report to Audit Committee on the use of consultants by Peterborough City Council; and
- Would include detail on which departments had used consultants.

6. EXTERNAL AUDIT: AUDIT PLAN

The Committee received a report from PricewaterhouseCoopers (PwC), which gave an outline of the Council's responsibilities and PwCs requirements of the external audit.

The Committee was asked to:

1. Consider the External Audit Plan for 2011/12;
2. Provide comment on any amendments necessary; and
3. Approve the Plan.

Key points highlighted were as follows:

- Scope of the audit
- Audit approach
- Key Risks
- Recent Developments
- Audit engagement team and independence
- Communications plan
- Timetable
- Audit Fees

- Risk of Fraud
- Other engagement information.

Comments and responses to questions were as follows:

- Members raised a question regarding whether PwC had conducted discussions with Peterborough City Council's (PCCs) management over the ways to monitor services provided by outsource companies. *The Committee was informed that PwC would consult with the PCC management structure and consult with audit services over the outsourced arrangements as part of the benefits and efficiencies that PCC were working towards;*
- Members commented about the Children Centres that were being outsourced and whether PCC were receiving value for money in the services provided. *The Head of Corporate Services advised Members that the tendering and contracting process that PCC had conducted was very extensive and exhaustive and that every company would have to provide a sizable amount of detail. Members were also advised that the performance standards were also included within the tender specification. In addition Members were advised that the Scrutiny Committee for Sustainable Growth would monitor the performance of outsourced companies;*
- The Chief Internal Auditor also advised Members that the Internal Audit Plan had included in its schedule, an exercise to monitor the activity around the use of the company SERCO, which provided the Council's Information Technology services;
- Members sought clarification over the level of risk of Peterborough City Council in comparison to the audit fees applied by PwC. *PricewaterhouseCoopers advised Members that a base figure was applied in setting the fee scales for the Council and confirmed that PCC's fee would not be higher than the base fee of £239,400;*
- Members raised a question regarding the transfer of Adult Social Care and how income and expenditure would be accounted for in the PCC accounts. *The PwC representative advised Members that it was either a transfer of a business or an activity which would determine how the expenditure would be shown. Members were also advised that an exercise was currently being conducted to establish what services were being transferred and to where within the Council.*
- Members sought clarification over the specific risks involved with the transfer of Adult Social Care to Peterborough City Council. *The PwC representative advised Members that there was a need to work with PCC to understand what the performance and budget risks were in relation to the service delivery.*
- Members raised a question regarding the transfer of Adult Social Care and whether the service was transferring to PCC with a deficit. *The Head of Corporate Services advised Members that there had been a deficit which had been outlined in the Medium Term Financial Strategy. Members were also advised that measures had been introduced to manage the financial pressures for the current and subsequent financial years. In addition Members were advised that the uptake of additional service users may present a further financial pressure in the future.*
- Members sought further information on the monitoring that was conducted on outsourced services to PCC. *The Head of Corporate Resources advised Members that there was a significant officer, higher management and Scrutiny monitoring processes in place to monitor the services provided by outsourced companies.*

ACTION AGREED:

The Committee:

1. Agreed The External Audit Plan for 2011/12;
2. Provided comment on any amendments necessary; and
3. Approved the Plan.

The Committee also agreed the materiality level of £250,000 to be treated as being 'clearly trivial' within the Audit Plan.

7. INTERNAL AUDIT DRAFT INTERNAL AUDIT PLAN 2012/2013

Members received a presentation from the Chief Internal Auditor regarding the Draft Internal Audit Plan for 2012/2013.

The Committee was asked to consider, endorse and approve the:

1. Proposed Annual Internal Audit Plan for 2012 / 2013;
2. Internal Audit Strategy for 2012 / 2013;
3. Internal Audit Terms of Reference (referred to as the Internal Audit Charter); and
4. Internal Audit Code of Ethics

Key points highlighted were as follows:

- Annual Internal Audit Plan
- Audit Strategy
- Internal Audit Terms of Reference; and
- Code of Ethics

Comments and responses to questions were as follows:

- Members raised a question regarding whether there was any impact following the current budget constraints in order to complete any audits. *The Chief Internal Auditor advised Members that the Audit Team had been working to market their services in order to attract business from other Councils.*
- Members sought clarification over whether the income generated from other Councils would allow the Audit Services to employ extra resources if necessary. *The Chief Internal Auditor advised Members that the service would explore the option of employing extra staff to work between Councils if it was necessary.*
- Members sought clarification over whether sharing the services of the Chief Internal Auditor carried any risks. *The Chief Internal Auditor advised Members that staff within the PCC Audit Team were fully capable of covering the Audit requirements the Council had.*
- Members sought clarification over business rates and how they were set. *The Head of Corporate Services advised Members that business rates were set by the valuation agency and in conjunction with the Government. The Chief Internal Auditor advised Members that there were various enterprise zones within the city where additional charges would be made for services such as Closed Circuit Television.*
- Members raised a question regarding schools audit assessments, where two schools had triggered 'limited assurances' and whether the Audit Department would be revisiting the areas of concern. *The Chief Internal Auditor advised Members that the schools with limited assurances would be revisited as a priority.*
- Members sought clarification over whether the reports for schools should contain further detail on any issues raised following an audit. *The Chief Internal Auditor assured Members that the reports would contain further detail of the issues raised in future.*
- Members raised a question over whether the implementation of the Welfare Reform Act would cause extra work for the PCC Audit Team. *The Chief Internal Auditor advised Members that it would not present a significant impact for the team; however, there was no way of identifying what impact it would present to the Council when it was introduced by the Government.*

AGREED ACTION:

The Committee approved:

1. The Annual Internal Audit Plan for 2012 / 2013;
2. Internal Audit Strategy for 2012 / 2013;
3. Internal Audit Terms of Reference (referred to as the Internal Audit Charter); and
4. Internal Audit Code of Ethics

8. AUDIT COMMISSION; APPOINTMENT OF EXTERNAL AUDITORS

Members received a presentation from the Chief Internal Auditor, to advise Members of changes from central government which would impact on the workings of the Council and in particular the Audit Committee.

Key points highlighted were as follows:

- Department for Communities and Local Government and the future of Local audit consultation;
- Localism and decentralisation – freeing up local public bodies, subject to appropriate safeguards, to appoint their own independent external auditors from a more competitive and open market;
- Transparency – ensuring that the results of audit work are easily accessible to the public, helping local people to hold councils and other public bodies to account for local spending decisions;
- Lower audit fees – achieving a reduction in the overall cost of audit;
- High standards of auditing – ensuring that there was effective and transparent regulation of public audit, and conformity to the principles of public audit;
- Requirements for accounts to be prepared in accordance with the necessary directions or regulations and comply with relevant statutory requirements;
- Proper practices to be observed in the completion of the accounts;
- Proper arrangements made by the body to secure economy, efficiency and effectiveness (value for money) in its use of resources
- ‘Secure the provision of high quality audit services at the best prices possible; and
- Minimising the costs to DCLG of redundancy by maximising transfer of audit practice staff under TUPE Regulations.’

Comments and responses to questions were as follows:

- Members sought clarification over whether there would be a reduction in the Audit fees for PwC whilst PCC were tendering for other providers. *The Chief Internal Auditor advised Members that the fees were set at a national standard and were very competitive; however, would not be subject to a fee reduction from PwC.*

9. Draft Annual Audit Committee Report

The Committee received a report on the Draft Annual Audit Committee Report from the Chief Internal Auditor. Members were informed that the report would be presented to Council for consideration.

Key points highlighted were as follows:

- Background to the committee, its roles, responsibilities and membership;
- Its key achievements during the year;

- An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, and Fraud and Irregularities; and
- Training provided to ensure that suitable challenge and scrutiny is adopted.

Comments and responses to questions were as follows:

- Members commented that the Audit Committee would arrange a group representatives meeting following the meeting of Full Council due to be held on 18 April 2012, in order to discuss ideas on how the work of the Audit Committee should be improved.

10. WORK PROGRAMME 2012 / 2013

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2012 / 2013 for consideration and approval.

- The Head of Corporate Services commented that the International Financial Standards should be incorporated in the Statement of Accounts Work Programme item.
- Following the agreement of the Committee a six monthly report would be included on the use of Consultants within the Work Programme.

AGREED ACTION:

The Committee noted and approved the 2012 / 2013 Work Programme.

7.00pm – 8.10 pm
Chairman